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LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Sole Overall Coordinator and Sole Placing Agent



THE PLACING

The Board announces that on 14 February 2023, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act, as the agent of the Company to procure purchasers to purchase or, failing which to purchase itself as principal, the Placing Shares at the Placing Price upon the terms and subject to the conditions set out in the Placing Agreement.

The total number of Placing Shares is 212,000,000, which represents: (a) approximately 5.97% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 5.64% of the total number of Shares in issue as enlarged by the allotment and issue of the Placing Shares (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing, other than the allotment and issue of the Placing Shares).

The Placing Price is HK\$3.78 per Share, which represents a discount of approximately 8.25% to the closing price of HK\$4.120 per Share as quoted on the Stock Exchange on the Last Trading Day.

Completion of the Placing is subject to fulfillment of the condition under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

The Board announces that on 14 February 2023, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act, as the agent of the Company to procure purchasers to purchase or, failing which to purchase itself as principal, the Placing Shares at the Placing Price upon the terms and subject to the conditions set out in the Placing Agreement.

THE PLACING AGREEMENT

Date

14 February 2023

Parties

- (i) The Company; and
- (ii) The Placing Agent.

The Placing Agent

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent is independent of, and not connected with, the Company and connected persons of the Company.

The Placing and the number of Placing Shares

The Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as the agent of the Company to procure purchasers to purchase the Placing Shares or, failing which to purchase itself the Placing Shares, at the Placing Price of HK\$3.78 per Share, on the terms and subject to the conditions set out in the Placing Agreement.

The total number of Placing Shares is 212,000,000, which represents: (a) approximately 5.97% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 5.64% of the total number of Shares in issue as enlarged by the allotment and issue of the Placing Shares (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing, other than the allotment and issue of the Placing Shares).

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Placing Shares.

Rights of the Placing Shares

The Placing Shares shall, when fully paid, rank *pari passu* in all respects with the other Shares then in issue free from all liens, charges and encumbrances, and will have all rights attaching to them as of the date of issue of the Placing Shares, including the right to receive all dividends declared, made or paid on or after the date of the issue of the Placing Shares.

Placees

It is expected that the Placing Shares will be placed to not less than six professional, institutional and/or other investors who are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of its respective associates.

Immediately after completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company.

Placing Price

The Placing Price of HK\$3.78 per Share represents:

- (a) a discount of approximately 8.25% to the closing price of HK\$4.120 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (b) a discount of approximately 7.17% to HK\$4.072, being the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (c) a discount of approximately 6.49% to HK\$4.0425, being the average closing price per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the date of this announcement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Condition

The obligations of the Placing Agent under the Placing Agreement are subject to the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Placing Shares and such listing and permission not subsequently being revoked prior to the completion of the Placing.

Completion

Completion of the Placing is scheduled to take place on 22 February 2023, or such other time and/or date as the Company and the Placing Agent may agree in writing.

If the condition of the Placing above is not fulfilled on or before 28 February 2023 (or such later date as may be otherwise agreed between the Company and the Placing Agent in writing), the Placing Agent may in its sole discretion elect to terminate the Placing Agreement forthwith.

Termination rights

The Placing Agent may terminate the Placing Agreement by giving notice to the Company at any time prior to 8.00 a.m. on the Closing Date if any of the following event occurs:

- (a) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (ii) any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, outbreak or escalation of hostilities, act of terrorism and act of

God) involving Hong Kong, the PRC, the United Kingdom, the European Union or the United States, or the declaration by Hong Kong, the PRC, the United Kingdom, the European Union or the United States of war or a state of emergency or calamity or crisis; or

- (iii) any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (iv) any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in local, national or international securities market conditions or currency exchange rates or exchange controls which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (v) any suspension of dealings in the Shares at any time prior to the Closing Date whatsoever (other than as a result of the Placing); or
 - (vi) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
 - (vii) the commencement by any state, governmental, judicial, regulatory or political body or organisation of any action against any Director or an announcement by any state, governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (b) (i) any breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent; or (ii) any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations, warranties and undertaking untrue or incorrect; or (iii) there has been a material breach of, or failure to perform, any other material provision of this Agreement on the part of the Company; or
- (c) there is any change, or any development involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Group (other than those already disclosed to the public on or before the date of this Agreement) as a whole which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith.

General Mandate to issue the Placing Shares

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the 2022 AGM to allot, issue and otherwise deal with Shares not exceeding 20% of the total number of Shares in issue as at the date of the 2022 AGM. Under the General Mandate, the Company is authorised to issue up to 709,934,128 new Shares. As at the date of this announcement, after deducting the total number of Shares that may be issued upon full conversion of the Bonds at their respective initial conversion prices, 214,162,701 new Shares remain available for issuance under the General Mandate. Accordingly, the remaining General Mandate is sufficient to cover the allotment and issue of the Placing Shares, and therefore the Placing is not subject to the further approval of the Shareholders.

Lock-up arrangements

The Company has undertaken to the Placing Agent that for a period from the date of the Placing Agreement up to 60 days after the Closing Date, the Company shall not, except for the Placing Shares and the issue of Shares that may be allotted and issued pursuant to the conversion of the Bonds, (i) sell, transfer, dispose, allot or issue or offer to sell, transfer, dispose, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no other change to the total number of Shares in issue from the date of this announcement to the Closing Date, the shareholding of the Company (a) as at the date of this announcement; (b) immediately after completion of the Placing but before conversion of any of the Bonds; and (c) immediately after completion of the Placing and assuming full conversion of the Bonds, are and will be as follows:

	As of the date of this announcement		Immediately after completion of the Placing but before any conversion of the Bonds		Immediately after completion of the Placing and assuming full conversion of the Bonds	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
LuYe Investment ⁽¹⁾	1,257,196,703	35.42	1,257,196,703	33.42	1,257,196,703	29.53
Hillhouse NEV Holdings Limited	552,324,108	15.56	552,324,108	14.68	552,324,108	12.97
Other existing Shareholders	1,740,149,832	49.02	1,740,149,832	46.26	1,740,149,832	40.87
Holder of the Bonds	—	—	—	—	495,771,427	11.64
Placees	—	—	212,000,000	5.64	212,000,000	4.98
Total	<u>3,549,670,643</u>	<u>100</u>	<u>3,761,670,643</u>	<u>100</u>	<u>4,257,442,070</u>	<u>100</u>

Notes:

- (1) LuYe Investment is a controlling shareholder of the Company.
- (2) The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places. Percentages may not add up to 100% due to rounding.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is an international pharmaceutical group dedicated to the research and development (R&D), manufacturing and sale of innovative medications. The Group has established R&D centers in China, the U.S. and Europe, with a robust pipeline of over 30 drug candidates in China and more than 10 drug candidates in other international markets.

The gross proceeds from the Placing are expected to be HK\$801.36 million. The net proceeds from the Placing (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) are expected to be approximately HK\$794.23 million. The net Placing Price, after deducting such fees, costs and expenses, is therefore estimated to be approximately HK\$3.75 per Placing Share.

The Company intends to apply the net proceeds from the Placing as follows:

- (a) approximately 30% for marketing and commercialisation of products, including the expansion of the market of the central nervous system field and the marketing team to support the commercialisation of LY03004 and LY03005;
- (b) approximately 30% for conducting overseas clinical trials of products under development including LY03003, LY03005, LY03010, and other products in the pipeline;
- (c) approximately 20% for repayment of the Group's debts falling due within 12 months; and
- (d) approximately 20% for general corporate purposes where appropriate.

The Directors (including the independent non-executive Directors) are of the view that the Placing represents an opportunity to raise capital for the Company and to strengthen its financial position while broadening its Shareholder base.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY DURING THE PAST 12 MONTHS

Save for the fund-raising activities below, the Company has not conducted any equity fund raising activities involving the issue of its securities in the past 12 months immediately preceding the date of this announcement:

Date of announcements	Fund raising activity	Approximate proceeds raised	Intended use of proceeds	Actual use of proceeds (as at the date of this announcement)
28 July 2022 and 16 August 2022	Issue of convertible bonds	RMB1,200 million	For (i) research and development of products; (ii) repayment of debts falling due within 12 months; (iii) marketing and commercialisation of products; and (iv) general working capital	The Company has applied approximately RMB820 million for (i) research and development of products; (ii) repayment of debts falling due within 12 months; (iii) marketing and commercialisation of products; and (iv) general working capital. The Company intends to utilise the balance of the proceeds from the bond issuance in accordance with the proposed use as described in the announcement of the Company dated 16 August 2022. The balance of the proceeds is deposited with licensed banks in accounts held by the Group.
2 September 2022 and 13 September 2022	Issue of convertible bonds	RMB300 million	For funding the Group's capital expenditure and in particular for updating the Group's facilities in Sichuan, Nanjing and Yantai and to purchase equipment for such facilities	The Company has applied approximately RMB30 million of the proceeds from the bond issuance for the purchase of equipment. The Company intends to utilise the balance of the proceeds from the bond issuance in accordance with the proposed use as described in the announcement of the Company dated 2 September 2022. The balance of the proceeds is deposited with licensed banks in accounts held by the Group.

Completion of the Placing is subject to fulfillment of the condition under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“2022 AGM”	the annual general meeting of the Company held on 20 June 2022 at which, among other things, a resolution for the grant of the General Mandate to the Directors was passed by the Shareholders
“Board”	the board of Directors
“Bonds”	(i) the Hong Kong dollars equivalent of RMB1,200 million 6.5% convertible bonds issued by the Company in August 2022; and (ii) the Hong Kong dollars equivalent of RMB300 million 6.5% convertible bonds issued by the Company in September 2022
“Closing Date”	the date on which completion of the Placing occurs, which is scheduled for 22 February 2023, or such other time and/or date as the Company and the Placing Agent may agree in writing
“Company”	Luye Pharma Group Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“General Mandate”	the general mandate to allot and issue Shares granted to the Directors by a resolution of the Shareholders passed at the 2022 AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	14 February 2023, being the last full trading day prior to the signing of the Placing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LuYe Investment”	LuYe Pharmaceutical Investment Co., Ltd., a controlling shareholder of the Company holding approximately 35.42% of the issued share capital of the Company as at the date of this announcement

“Placees”	professional, institutional or other investors selected and procured by the Placing Agent to purchase the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent to the Placees at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	UBS AG Hong Kong Branch
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 14 February 2023 in respect of the Placing
“Placing Price”	HK\$3.78 per Placing Share
“Placing Shares”	the Shares to be placed by the Placing Agent under the Placing pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Securities Act”	the U.S. Securities Act of 1933, as amended
“Shares”	ordinary shares of par value of US\$0.02 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

In this announcement, the terms “associate”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By Order of the Board
LUYE PHARMA GROUP LTD.
Liu Dian Bo
Chairman

Hong Kong, 15 February 2023

As at the date of this announcement, the executive directors of the Company are Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian and Ms. ZHU Yuan Yuan; the non-executive Directors of the Company are Mr. SONG Rui Lin and Mr. SUN Xin; and the independent non-executive directors of the Company are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.